



STATE OF TENNESSEE
TENNESSEE STUDENT ASSISTANCE CORPORATION
SUITE 1950, PARKWAY TOWERS
404 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37243-0820
(615) 741-1346 • 1-800-342-1663 • FAX (615) 741-6101
<http://www.CollegePaysTN.com>

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Contact: Jeri D. Fields
Phone: 615.253.7452

NEW FEDERAL LAW AFFECTS STUDENT LOAN PROGRAM AND TSAC

NASHVILLE, MARCH 28, 2006 -- The Tennessee Student Assistance Corporation's (TSAC) Board of Directors voted last week to charge borrowers a 1 percent federal default fee on federal Stafford and PLUS student loans guaranteed on or after July 1, 2006.

"Like most guarantors in recent years, TSAC has waived the fee for borrowers", said Levis Hughes, Associate Executive Director of TSAC. By waiving this fee in the past, TSAC has drawn down its Federal Reserve Fund -- the fund used primarily to pay borrower claims when loans default. "TSAC has saved borrowers millions of dollars by waiving the fee, but this new directive will no longer allow TSAC to waive the fee and impact the Federal Reserve Fund in this way." The fee insures the maintenance and long term viability of the Reserve fund in hopes of preserving the stability of the federal student aid program.

In an attempt to prevent borrowers from becoming delinquent on their loan payments, the federal default fee will supplement default aversion and prevention costs to the loan program. "We hope that by increasing debt management and default prevention efforts, TSAC can better assist parent and student borrowers with understanding the educational financing process," said Robert Ruble, TSAC's Executive Director. TSAC will begin working with their lender and school partners to ensure a smooth operational process is outlined and agreed upon by the July 1, 2006 implementation.

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